

Remarks by State Treasurer Phil Angelides
Law Enforcement Legislative Day
Sacramento, CA
March 14, 2001

I would like to talk to you today about some of the broader challenges we face in this State in making the investments in our public fabric – in public safety and education, in transportation and energy – that will sustain us in the years ahead.

I think it is fair to say that, in so many ways, the last 10 years in our State have been remarkable. We are now the richest State in the wealthiest nation on earth. We have had a tremendous economic boom. And even though the markets are moving up and down these days, we are still in a society where job growth continues, personal income is moving up, and revenues to the State are very strong with a projected \$6 billion surplus at the end of this fiscal year.

But as the State's chief investment officer, I would like to think that I am doing what a good investment officer does, or what your budget officer does. And that is looking ahead – not just to the next couple of quarters – but into the long term, and asking the question: What investments do we need to make to be strong in the long term and to sustain our growth into the 21st century?

And I think it is fair to say that, notwithstanding the fact that we have had a remarkable run of success – the economy up, crime down, opportunity broadened – if you looked into our future, we are a society that faces enormous challenges.

During the next 20 years, we are going to see 12 million new Californians, in the context of a need for four million new homes, and two million additional children entering our school system.

I think it is worth remembering that in this nation where we enjoy freedom of movement, California remains a beacon for people throughout this country and yes, throughout the world.

So we are going to grow, and to help you put it into perspective, that's more growth than this state saw in the 1950s, '60s, and '70s combined. And you and I know, as people in the public realm, that this growth is coming in the wake of too many years of underinvestment in what I call the "public fabric" of public safety, education, and transportation needed to sustain us in the years ahead.

And in so many ways, what is happening in energy today is emblematic of our failure as a society to make the public investments that make our private economy strong.

I was in business for 15 years, and I know the economy draws its life from the private sector. But we should never forget our history. California's public investments –

its great university system, its great transportation system, its great water projects – have been the very foundation of our economic success.

So I believe that one of the central challenges for us, as Californians, is how do we meet the demands of growth that we are going to see in this State? How do we do that in a way that keeps California an attractive place to live, keeps our economy strong and, most importantly, contributes to the strength of our schools, to the beauty of our parks and open spaces, and to the stability of a strong public safety network in our State.

We should have no illusions: The reason we have had a strong economy in California is we have had livability – communities of safety, communities of quality – that have lured businesses to our State. But today as you look around, you see our failure to invest manifesting itself.

Here's an example that we all have experienced: In 1999, in the transportation area, Californians were spending 800,000 hours a day sitting on congested freeways. That is a tremendous loss of economic productivity and one of the big reasons we now have eight of the nation's 15 worst air quality basins.

In the housing area, we have 13 of the nation's 25 least affordable housing markets. And you know many of your rank-and-file colleagues cannot afford to live in the communities they serve.

In energy, we face today a shortage of supply because we have underinvested in creating new generation and we have underinvested in conservation.

And you and I know that the lack of public investment in areas that are so critical to our future – mental health, drug treatment and public safety – both personnel and infrastructure – is beginning to undermine the strength of our communities. That is a concern to me, as the chief investment officer of this State, because that ultimately undermines our economy.

I want to add one other observation concerning the enormous challenges faced by our State as a whole. I think it is something which you may well reflect on as you pursue your duties on a daily basis. And the observation is this: While we are a State of opportunity, we also are a State that has many communities and many people within those communities who have not enjoyed the economic fruits of the last decade. And we are in great danger of becoming “two Californias,” with much of our State enjoying economic success, while many communities struggle in poverty and economic decline.

We have tremendous success stories from the Silicon Valley to La Jolla. But you and I know that the story of California's successes is not being played out in the Del Paso Heights neighborhood here in Sacramento, or in East Palo Alto or in Richmond in the Bay Area, or in many communities in the Los Angeles basin, such as Lynwood and Bell and Compton.

And the fact is, for all our successes, we've now got the fourth greatest gap between rich and poor of all the states in the country. And while the incomes of the wealthiest in our State grew dramatically in the past decade, the poorest 20 percent saw their real incomes drop by 10 percent.

So as we move into this period of growth, we have a general challenge to invest in the infrastructure that can sustain us, and a particular challenge to make investments that lend a hand to the communities of struggle so that we do not have pockets of Californians who are out of the mainstream of hope. And I believe the time is here and now to make that set of investments.

So many of us, I think, take for granted the legacy that we were given. I have always considered myself fortunate that I grew up in a bipartisan California, the California of Earl Warren and Goodwin Knight and Pat Brown. The California that looked ahead and invested in a university system, a transportation network, and in public safety facilities.

And then we sat on our lead.

So I believe the time is past due for a new era of investments in the public fabric of California – in both people and infrastructure – to make sure that we can sustain our economic success in the years ahead.

Let me say that I believe my fundamental obligation as the State's chief investment officer not only is to manage money well today, but also to make the push, along with you, for the investments we need to keep us safe in the future.

For those of you who do not know what your Treasurer does, other than handle a lot of money, let me say that there are three big parts to my job.

The first is that I am truly a chief investment officer in the sense that I sit on the Boards of our two State pension funds, CalPERS and CalSTRS. And through the State's Pooled Money Investment Account, I also invest the short-term money for the State and 2,800 local governments – taxpayer money invested that later will be spent on programs. Today, we have in the portfolios of those three funds over \$300 billion that is invested across the globe.

Secondly, as your Treasurer, I finance the many critical public works projects that range broadly from corrections facilities to parks to transportation projects that are so vital for our State.

And finally, in the Treasurer's office, we run a range of programs that finance affordable housing, provide health clinic loans, and offer small business loans – all designed to broaden economic opportunity.

In each of those areas, we have focused on our primary responsibility, which is how do we manage your pension money well and your taxpayer money well, so that we get the best returns to ensure that pensions can be paid and programs can be properly funded.

But in each of those places, we have also been asking, how can we better invest our wealth to create long-term wealth for California? And that's why our two pension funds and our State's Pooled Money Investment Account have been seeking good returns at the same time that we have been looking at ways in which we can invest more in our own California communities.

One of the things that has always struck me is we invest tens of billions of dollars overseas in places like Indonesia and Malaysia and Thailand, and yet we do not look in our own backyard to say, "How can we prudently make loan funds available for police and teachers to buy homes? How can we invest in businesses in some of the struggling communities, where you have to fight crime, to create new job opportunities?"

And I am proud to say that under my leadership, we have made billions of dollars in new investments in California communities. This includes \$2.7 billion in new deposits in California community banks; over \$700 million in new funding for home mortgages; and over \$1 billion for real estate development in California communities to build our own future with our own wealth. Across the board, we must invest in the community infrastructure that will sustain us.

And as I stand here today, I want to let you know that I am using my office to fight for more transportation funding, more funding for open space and parks, and I want to be with you to fight for the infrastructure investments we need in public safety in California.

That is why I support your efforts to ensure that the budget contains \$30 million for crime laboratories.

That is why I will join with the Governor in fighting to make sure that the COPS program is extended this year at \$120 million. And I believe that we need to keep funding the CLEET program with \$100 million a year. I want to ensure that we make the investments that will keep us strong.

Across the board, from juvenile facilities to information technology, to providing the resources to supplement what you already do at school sites, the fact is we are in a time and place where, as the sixth largest economy in this world, we cannot afford not to make these investments. And the fact is that if we do not make these expenditures today, you and I know that the price down the road will be much greater.

When we talk about infrastructure, all too often we talk about hardware, about buildings and facilities. But I also believe that we need to think about infrastructure and investment in another way – we need to think of it in terms of people.

For example, a quality education system is not just about new school facilities, it is about what we pay teachers, whom we bring into the teaching profession, and how we nurture children. Public safety in this State depends on how we value your work and the work of your rank-and-file members – so that in the years ahead we can attract the best people into law enforcement and retain them so that we can bring the best level of service to our communities.

That is why – and this may sound like an old-fashioned notion – I believe the time has come to reward public service – particularly in critical professions like teaching and public safety. We need to make sure that we pay people what they deserve and show we value them in this society. And one of the ways we do that is by giving them the benefits they need to support their families.

At the CalPERS Board in the last couple of years, we have made progress. I am proud to say that in 1999, we enhanced benefits. As many of you who are members of CalPERS know, we added \$9 billion in new benefits and a lot of those were for our public safety employees. I am proud to say that we have redone our home loan program, for those of you who are members of CalPERS, so that young families who want to buy a home can get 100 percent financing. And we have raised our loan limits so that people in higher-cost areas can get into the homeownership market.

I have sponsored a program to help teachers buy homes if they are doing work in low-performing schools. And this year I am optimistic that we can get the Legislature to look at a program to make it easier for rank-and-file officers to purchase homes.

When we think about infrastructure, it is about more than just new facilities and investing in people. It is also about thinking smart about the ways we invest precious public dollars.

In the energy field, I hope that we have learned the lesson. It is not just about more and more power plants. It is about better conservation and use of resources.

In the water arena, we have learned in the last 20 years that it is not just about more dams and water conveyance facilities, but how we use water, recycle water, conserve water, to meet our needs.

And at the same time that we push for the infrastructure funding and the salaries and benefits that you need to do your job, we need to be thinking about infrastructure investments in the criminal justice area that represent smarter ways to use public dollars to solve our problems.

I was struck in 1999 by a study that Sheriff Lou Blanas did here in Sacramento. It focused on something that I think all of you knew, but too few in the public policy arena focus on squarely.

In Sheriff Blanas' study, he pointed out that 13 percent of the people using the county jail were the mentally ill – not people who ought to be part of the criminal justice system. And the cost to Sacramento County's law enforcement budget was over \$3 million a year.

So I applaud efforts like those of our local Assemblyman Darrell Steinberg – who I know worked with Sheriff Blanas – to begin creating a community mental health system for our State. We were promised that system 30 years ago, but that promise was never delivered. It is a smart expenditure of money to care for our mentally ill so that they do not become part of the criminal justice system.

And I think it is important to note that the initial results are showing some progress with the first funding made available through Mr. Steinberg's legislation. For the people in these pilot mental health programs, we have seen an 81 percent reduction in jail days and a 59 percent reduction in hospital days.

We are at a critical moment in our State. We are going to face tremendous pressures from the growth that we face, and now is the time for us to mobilize. We need not only to do it at the State level, we need to empower all our communities to meet their future needs.

I think one of the most important things that has happened recently is the passage of Proposition 39 that allows local communities by a 55 percent vote to make investments in their schools for the years ahead. I supported that measure and worked for that measure. And my belief is that the time is here and now to once again empower communities, by a majority vote, to make the investments they need in law enforcement, in parks, in libraries and other amenities to enrich the lives of their residents.

Our own community of Sacramento has gone to the ballot for public safety funding twice now and gotten over 60 percent of the vote. I believe it is only right that the majority of the citizens in a community ought to be able to have the public safety levels they deserve and need.

Let me close with this thought: We are on the verge of a great era in California. Across the board, if we are willing to make the investments in our public fabric, in the foundation of our society, we can have truly sustained economic progress.

It is my job as Treasurer to make and call for the investments that will sustain us and to manage our money well in the short term and the long term, and that is what I am committed to do.

I applaud you for all you do. I respect greatly your work. I have been privileged in my own community to know and be associated with our law enforcement community. I look forward to working with you in the years ahead for the betterment of California.

Thank you for having me here today.